

Message Text

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ACTION EUR-12

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INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
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FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 3094
INFO EC COLLECTIVE

UNCLAS THE HAGUE 4273

USEEC ALSO FOR EMBASSY

E.O. 11652: NA
TAGS: EFIN NL
SUBJECT: DUTCH REVALUE MONETARY RESERVES 20 PERCENT UPWARD

1. FINANCE MINISTRY HAS ANNOUNCED THAT EFFECTIVE AUGUST 1, DUTCH MONETARY RESERVES WILL BE REVALUED MORE THAN 20 PERCENT UPWARD. THE REVALUATION IS BASED ON AN INCREASE IN THE VALUATION OF GOLD RESERVES FROM 6.89 BILLION GUILDERS (2.20 GUILDERS EQUAL \$1.00) TO 12.69 BILLION GUILDERS. AT THE SAME TIME A NEW FUND WILL BE CREATED TO ABSORB LOSSES IN VALUE OF FOREIGN CURRENCIES HELD AS RESERVES. SUCH LOSSES IN 1976 AND 1977 TOTALED ABOUT 1.6 BILLION GUILDERS (MAINLY A RESULT OF THE FALL OF THE DOLLAR) LEAVING A NET 4.2 BILLION GUILDER MONETARY REVALUATION. (PREVIOUSLY FOREIGN EXCHANGE VALUE LOSSES WERE PAID BY THE GOVERNMENT.) TOTAL DUTCH MONETARY RESERVES THUS RISE FROM 19.148 BILLION GUILDERS TO 23.35 BILLION GUILDERS OR 22 PERCENT AUGUST 1.

2. THE REVALUATION IS A RESULT OF LEGISLATION ABOLISHING THE PAR VALUE OF THE GUILDER AGAINST GOLD MANDATED BY THE SECOND AMENDMENT TO THE IMF ARTICLES. GOLD WILL BE
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VALUED MORE IN LINE WITH MARKET PRICES BUT WITH A SAFETY MARGIN BECAUSE OF GOLD'S WIDE PRICE FLUCTUATION IN THE PAST. DURING THE PERIOD 1978 TO 1980, GOLD WILL BE VALUED AT 7,500 GUILDERS PER KILOGRAM (ABOUT \$106 PER OUNCE). VALUATIONS WILL BE REVISED EVERY THREE YEARS TO AN AMOUNT EQUAL TO 70 PERCENT OF THE LOWEST YEARLY AVERAGE PRICE IN THE PREVIOUS THREE YEARS. DUTCH GOLD

RESERVES TOTAL 1.7 MILLION KILOS AND HAVE REMAINED CONSTANT
FOR SEVERAL YEARS. CENTRAL BANK POLICY IS TO HOLD MONETAY
RESERVES AT ALL TIMES EQUAL TO AT LEAST 50 PERCENT OF SHORT
TERM DEBTS.
BROWN

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